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WEEKLY ROUNDUP OF WORLD PRODUCTION AND TRADE

WR 8-81

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WASHINGTON, Feb. 25--The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following recent developments in world agriculture and trade:

GRAIN AND FEED

The EUROPEAN COMMUNITY (EC) Commission has announced its package of farm price proposals for 1981/82 which is likely to influence EC grain production and trade levels during the coming season.

One of the key features of the Commission's proposal is an average increase of 6 to 12 percent in support prices. Earlier reports consistently pinpointed Commission interest in a 7.5-percent rise. Debate over these recommendations appears particularly active because of severe pressures on the Community budget attributed to the costly surplus disposal programs for grain and other products.

In addition to the suggested 6 to 12 percent average price increase, which would cost the EC roughly US \$950 million, elements of the proposed package include the implementation of co-responsibility measures and proportionately larger increases in target prices than intervention payments. These proposals are expected to offset roughly half of the support price increase. The co-responsibility measures would transfer more of the financial burden of surplus disposition to the farmer by taxing excess production. By increasing grain target prices (which are closely linked to minimum import prices) by proportionately more than intervention levels (which represent the market floor), receipts from import levies would expand to a greater extent than would outlays for intervention support. Another aspect of the proposals would involve lowering guaranteed intervention prices once production ceilings were surpassed.

The Commission clearly hopes that the increase in support prices, combined with the other proposed measures, would hold EC spending within the limits of its budgetary constraints. This would free more funds for industrial and social policies, which now account for only about 30 percent of the Community budget, compared with some 70 percent for the agricultural sector.

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MARY FRANCES CHUGG, Editor. Tel: (202) 447-3370, 447-2381. Weather and Crop Summary prepared by the Joint Agricultural Weather Facility of USDA and NOAA. Tel: (202) 447-8760, 447-7917. Additional copies may be obtained from the FAS Information Services Staff, Room 5918-South, Washington, D.C. 20250. Tel: 447-7937.

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Cost Engineering



Immediate reactions to the proposals are mixed. COPA, the EC-wide farmers' union, calls for a 15.3-percent average price increase to help reverse the marked decline in real farm income. France is seeking a minimum 10-percent increase in order to placate farmers in the face of the coming presidential elections. Sentiment in the United Kingdom is that any increment above 5 percent would facilitate continued growth of the agricultural component of the total EC budget, thereby reducing funds available for industrial and other programs.

The United Kingdom also is opposed to the Commission proposal to cut British Monetary Compensatory Accounts (MCAs) by some 5 percent. The MCAs, which reflect the difference between the green pound rate (on which agricultural prices are based) and the Sterling exchange rate, would largely abrogate any benefits farmers may receive from the proposed price support increases. Debate over the Commission proposals is likely to be fierce and is expected to continue for some time.

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PORTUGAL's prolonged drought in grain-producing areas is expected to slash 1981 grain production, including rice, by at least 20 percent below the previous year's level of 1.2 million tons. During the past several months, precipitation in the Alentejo, the primary winter grain region, reached less than one-fifth of the normal level. Winter wheat, barley and oats, sown largely in October and November, germinated poorly because of the lack of soil moisture at planting time. No rain fell in December or early 1981, further weakening root structures, and incidence of frost has multiplied the threat to crop survival. A portion of these crops already is declared lost and additional disappointments may be forthcoming unless steady, substantial rainfall is received over the next several weeks.

Portugal's 1981 rice crop, although not yet sown, is expected to be minimal because of poor soil moisture reserves and reduced availability of water for irrigation purposes.

As a result of its grim crop prospects, Portugal's import requirements in 1981/82 are likely to be sizable. Imports of wheat and rice may exceed the 1980/81 level of 775,000 tons and 65,000 tons, respectively. Extremely poor pasture conditions have strengthened demand for feed and thus are likely to stimulate increased corn and sorghum imports. Portugal has requested P.L. 480 assistance from the United States and also may seek supplies from other exporters.

#### DAIRY, LIVESTOCK AND POULTRY

The EUROPEAN COMMUNITY (EC) Council opened the U.S. high-quality beef quota Jan. 20. The Council fixed the quota at 3,000 tons for fresh, chilled or frozen beef that may be imported from the United States during the first quarter of 1981. Import applications were to be lodged Feb. 9-13 and licenses are scheduled to be issued March 2.

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The EC COMMISSION fixed export subsidies for beef and veal effective Feb. 9. For chilled or frozen boned or boneless beef exports to the United States, the subsidies remain unchanged at 107 European Currency Units per 100 kilograms (57 U.S. cents per pound).

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The EC COMMISSION issued export licenses on Jan. 15 for the full 5,000 tons of beef for export to the United States. Denmark received licenses for 3,310 tons and Ireland for 1,690 tons. This volume of exports is authorized under the terms of the US-EC multilateral trade negotiations (MTN) agreement. During December, applications had been received for licenses to export 6,507 tons. Such a large volume of applications forced the Commission to reduce the amount applied for by individual exporters to 76.84 percent of the original quantities. No further quantities are available for 1981 and applications for January 1982 export licenses may be lodged Dec. 16, 1981.

#### HORTICULTURAL AND TROPICAL PRODUCTS

In AUSTRALIA, heavy rains in the main raisin producing areas have caused significant losses to the 1981 sultana crop. Currently a crop in the range of 50,000 to 60,000 tons is expected, compared with 65,000 to 70,000 tons prior to the rains. There is little doubt that the overall quality will be adversely affected, with most of the crop in the threeand four-crown quality grades.

The currant crop had been harvested before the heavy rains arrived and quality should not be affected. The total currant output this season is expected to be in excess of 4,000 tons.

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PERU's 1981/82 (April-March) coffee crop is expected to recover to about 1.25 million bags owing to improved weather conditions and an estimated 4,000 hectares of new plantings coming into production. Output at this level would place the crop slightly below the record 1979/80 harvest of 15,000 bags, but 150,000 bags above the weather and rust reduced 1980/81 harvest. While rust and insect damage have hurt Peru's coffee production potential for 1980/81, there is optimism that damage can be held to moderate levels by farmers organized into regional groups to undertake an integrated program of control for both problems.

#### TOBACCO

ZIMBABWE's 1981 flue-cured tobacco crop is estimated at 72,000 tons, down sharply from 122,571 tons in 1980. A 70,000-ton marketing quota is believed to be back of the steep drop in production. The 1981 crop is described as vintage quality because of favorable growing conditions. This crop is in sharp contrast to very poor quality outputs in 1979 and 1980.

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Since production this year is only slightly above the market quota, little, if any, tobacco will be destroyed. A full range of grades should be available at the opening of the 1981 auctions in Salisbury on April 22. Carryover stocks from previous years are estimated at 60,000 tons; however, most of the stocks are expected to be committed by the time the auction opens. The stock figures do not include the 9,000 tons bought during the 1980 season under a special support program and isolated from the market for two years.

Zimbabwe's 1981 burley crop is estimated at 2,000 tons, while the oriental crop should be about 22 tons.

#### TRADE NOTES

The UNITED STATES' International Trade Commission public hearing on designating the Peoples' Republic of China as a beneficiary developing country for purposes of the Generalized System of Preferences (GSP) has been rescheduled for April 22-23 in Washington, D.C. For additional information contact the Secretary, USITC, 701 E Street, N.W., Washington, D.C. 20436, no later than noon, April 16.

#### NEW RELEASES OF FOREIGN AGRICULTURE CIRCULARS

Official 1980 Soviet Production Estimate, FG 6-81

World Grain Situation/Outlook, FG 8-81

World Crop Production Estimates Up Slightly  
From a Month Ago, WCP 2-81

World Oilseeds Situation and Outlook and U.S.  
Oilseed Trade, FOP 3-81

World Cotton Situation, FC 5-81

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INTERNATIONAL WEATHER AND CROP SUMMARY, Feb. 16 - 22

EUROPE--Most of the region received light precipitation of less than 10 mm. Once again, the heaviest totals fell in parts of the southeastern countries. Coastal areas of the west had some increased precipitation, but the moisture did not penetrate inland to cover crop areas. For the most part, winter grains should remain in good condition. However, little or no rainfall over most crop areas of the Iberian Peninsula meant a return of pessimistic prospects for winter grains. Spring crops there also will suffer unless heavy rainfall occurs soon. The area depends on abundant soil moisture reserves to carry crops through as the normal dry season begins. Conditions in northern Italy remained dry also. The greatest deficits prevailed in the western part of the Po Valley, but moisture shortages in winter grain fields are gradually increasing all across the north. Eastern Europe remained snow-covered, and France and England picked up some snowcover as temperatures remained slightly below normal.

WESTERN USSR--Precipitation slackened a little over the winter grain belt, but still remained generally above normal. The moisture fell as snow over much of the belt, increasing the protective covering, and only parts of the Volga Valley appeared dangerously short of snowcover. Temperatures remain slightly on the mild side, however, posing no threat of winterkill. Daytime temperatures reached above freezing across southern portions of the belt, and melted most of the snow which had fallen during the previous week. Once again these southern areas are in a weather pattern of temperatures oscillating around freezing, which may cause damage as ice forms in wet fields.

EASTERN ASIA--Most winter grain areas on the North China Plain received only light precipitation as the heaviest amounts occurred in the lower Yangtze Valley and the hills to the south. In the north moisture fell as snow. Temperatures decreased in most winter grain areas, and curtailed growth in all but the southern fields. These cooler conditions kept the crops' water requirements to a minimum. Moisture shortages were greatest to the north of the Yellow River, where reservoir levels reportedly were much below normal. In South Korea, winter barley remained in dormant but good condition as precipitation rose much above normal. Moisture should be in good supply as dormancy breaks in the next few weeks.

SOUTH ASIA--Most of the region received no precipitation, with only scattered amounts in northern Bangladesh, eastern India and the Indian Peninsula. This weather pattern should be favorable for winter grains, as harvesting in Madhya Pradesh in central India normally begins at about this time. In the major growing areas of the north, the crop should be just starting to turn color. Overall crop prospects remain good.



NORTHWESTERN AFRICA--Two storms spread beneficial rainfall over much of the region. The first doused southwestern coastal areas of Morocco, but left inland winter grain fields dry. To the east, widespread rains fell across Algeria and Tunisian crop areas. Later in the week, the second system brought some relief to winter grain areas of northern Morocco and added to the week's totals to the east. The moisture maintained good growing conditions in Tunisia and eastern Algeria, and improved conditions in central and western Algeria. Soils had become a little too dry in the latter area during January and early February. In Morocco, the light amounts which fell in southern winter grain areas were probably not sufficient to help seriously stressed crops. Slightly greater amounts in northern areas benefited winter grains, but additional precipitation will be needed regularly as the winter grains enter the heading stage of development.

SOUTH AFRICA--Rainfall increased again over much of the Maize Triangle, surging above normal at many locations. The rainfall pattern complemented that of the previous week, and very few areas were short of moisture. With corn in the grain-filling stage, such abundant soil moisture supplies mean that crop prospects should remain bright even if rainfall were to diminish to below normal for the remainder of the crop cycle.

SOUTH AMERICA--Conditions remained beneficial for corn and soybeans in Brazil. Moderate rainfall in Parana kept soils adequately moist for late-planted soybeans, but conditions were not too wet for harvesting of early varieties. Initial harvest results point to very good yield prospects. Much of the Rio Grande do Sul soybean crop is still in flower, and moderate rainfall maintained good growing conditions. In Argentina, rainfall slackened substantially over most of the corn/soybean belt. This drier weather may actually have been a relief, as some low areas were probably too wet from the abundant rainfall of recent weeks. On these good soils, even a prolonged dry spell at this time would not seriously hurt yields of either corn or soybeans.

MEXICO--Unseasonably warm, spring-like weather across the north favored agriculture. Soil temperatures averaging 20 degrees Celsius in the northeast were warm enough for germination of early corn and grain sorghum. Tomatoes, cucumbers, and other west coast winter vegetables progressed well under sunny skies. Some light rains fell over the Valles citrus orchards, which should have bud swelling and almost be ready to bloom.



Rotterdam Prices and E.C. Import Levies:

Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Feb. 24, 1981	Change from previous week	A year ago
	\$ per m. ton	\$ per bu.	¢ per bu.
Wheat			
Canadian No. 1 CWRs-12.5%.....	1/	1/	1/
U.S. No. 2 DNS/NS: 14%.....	221.50 7/	6.03 7/	+ 2 7/
U.S. No. 2 DHW/HW: 13.5%.....	223.00	6.07	+ 6
U.S. No. 2 S.R.W.....	213.00	5.80	- 5
U.S. No. 3 H.A.D.....	262.00 7/	7.13 7/	- 7 7/
Canadian No. 1 A: Durum.....	1/	1/	1/
Feed grains:			
U.S. No. 3 Yellow Corn.....	167.00	4.24	+ 5
U.S. No. 2 Sorghum 2/.....	184.00	4.67	+ 2
Feed Barley 3/.....	197.00	4.29	+ 3
Soybeans:			
U.S. No. 2 Yellow.....	310.50	8.45	+18
Argentine 4/.....	320.50 7/	8.72 7/	+32 7/
U.S. 44% Soybean Meal (M.T.)..	272.50	--	+2.50 5/
EC Import Levies			
Wheat 6/.....	63.05	1.72	- 7
Barley.....	32.30	0.70	+ 1
Corn.....	71.80	1.82	- 2
Sorghum.....	58.05	1.47	+16

1/ Not available.

2/ Optional delivery: U.S. or Argentine Granifero Sorghum.

3/ Optional delivery: U.S. or Canadian Feed Barley

4/ Optional delivery: Brazil yellow.

5/ Dollars per metric ton.

6/ Durum has a special levy.

7/ April-May delivery.

Note: Basis March delivery.

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